

Southeast Iowa Regional Planning Commission

**Independent Auditor's Reports
Financial Statements
Supplementary Information
Schedule of Findings**

June 30, 2007

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Southeast Iowa Regional Planning Commission
Commission Members
June 30, 2007

Member	Representing
Bob Beck	Des Moines County
Bill Ell	Des Moines County
Kent Gaudian	Des Moines County
Hans Trousil, Treasurer	Des Moines County
Laverne Hueholt	Henry County
Ron Sadler	Henry County
Brent Schleisman, Chairperson	Henry County
Tom Young	Henry County
Bob Woodruff	Lee County
Steve Ireland	Lee County
Bill Olmstead	Lee County
Lowell Junkins	Lee County
Ken Purdy	Louisa County
Jim Howell, Secretary	Louisa County
Mark Huston	Louisa County
Randy Tillman	Louisa County
Dr. Simone or Representative	Southeastern Community College
Dr. Johnson or Representative	Iowa Wesleyan College
Sue Frice, Vice Chairperson	Iowa Workforce Development



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Independent Auditor's Report

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

We have audited the accompanying basic financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Planning Commission as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2008 on our consideration of Southeast Iowa Regional Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Southeast Iowa Regional Planning Commission taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CPA Associates PC

February 13, 2008

Southeast Iowa Regional Planning Commission Management's Discussion and Analysis

Southeast Iowa Regional Planning Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's support and revenues increased 16%, or \$295,108, from fiscal 2006 to fiscal 2007.
- Operating expenses increased 19%, or \$341,175 from fiscal 2006 to fiscal 2007.
- The Commission's net assets increased 15%, or \$284,120 from fiscal 2006 to fiscal 2007.
- The following capital contributions caused an increase in net assets:
 - City of Keokuk revolving loan fund received \$100,000
 - Henry County revolving loan fund received \$50,000
 - IRP II revolving loan fund received \$134,325

USING THIS ANNUAL REPORT

The Southeast Iowa Regional Planning Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Southeast Iowa Regional Planning Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Financial Position Summary

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by \$2,167,024 at June 30, 2007, a \$304,964 increase from 2006.

A summary of the Commission's net assets at June 30, 2007 and 2006 is shown below:

	2007	2006
Assets:		
Current assets	\$ 1,728,842	\$ 1,330,850
Long-term RLF notes receivable	1,582,601	1,545,017
Capital assets	<u>84,685</u>	<u>18,961</u>
Total assets	<u>3,396,128</u>	<u>2,894,828</u>
Liabilities:		
Current liabilities	178,902	233,872
Notes payable	<u>1,050,202</u>	<u>798,896</u>
Total liabilities	<u>1,229,104</u>	<u>1,032,768</u>
Net Assets:		
Invested in capital assets, net of related debt	45,053	595
Restricted	1,753,684	1,631,202
Unrestricted	<u>368,287</u>	<u>230,263</u>
Total net assets	<u>\$ 2,167,024</u>	<u>\$ 1,862,060</u>

The largest portion of the Commission's net assets each year represents amounts restricted for revolving loan funds.

FINANCIAL ANALYSIS OF THE COMMISSION (continued)

Summary of Operations and Changes in Net Assets

Support and revenues are received from federal and state grants, state appropriations, and other local sources. Expenditures are expenses to operate the Commission's programs and the transit system. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2007 and 2006 is presented below:

	2007	2006
Support:		
Federal and state grants	\$ 1,367,960	\$ 1,067,044
Local contributions	<u>172,984</u>	<u>137,554</u>
Total support	<u>1,540,944</u>	<u>1,204,598</u>
Revenue:		
Administration fees	196,232	277,900
Inspections	15,680	-
Bus fare and local contracts	118,444	116,799
Medicaid reimbursement	145,285	137,457
Insurance claims	-	2,500
Loan closing fees	11,078	9,701
Loan interest income	<u>105,277</u>	<u>88,877</u>
Total revenue	<u>591,996</u>	<u>633,234</u>
Total support and revenue	<u>2,132,940</u>	<u>1,837,832</u>
Expenses:		
Salaries and benefits	889,455	827,649
Construction expense	355,695	538,558
Depreciation	20,969	8,175
Dues and publications	9,544	14,560
Insurance	60,963	43,496
Interest expense	16,308	8,450
Maintenance and repair	64,341	45,680
Fuel and oil	76,278	72,552
Office and equipment expense	113,426	56,052
Professional fees	24,465	16,025
Contractual expenses	431,578	103,838
Occupancy	30,957	28,297
Travel and training	43,834	38,893
Printing and marketing	14,074	10,538
Miscellaneous	<u>8,505</u>	<u>6,454</u>
Total expenses	<u>2,160,392</u>	<u>1,819,217</u>
Operating income (loss)	(27,452)	18,615
Non-operating revenues/(expenses), net	27,247	13,438
Capital grants and contributions	<u>284,325</u>	<u>135,000</u>
Increase in net assets	<u>\$ 284,120</u>	<u>\$ 167,053</u>

FINANCIAL ANALYSIS OF THE COMMISSION (continued)

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Support, including Federal and State grants, for the year increased \$336,346, or 28%. Most of the increase in support revenues was due to an increase in claims related to the Brownfields Assessment grant and increase in operating assistance for the Regional Transit System.
- Operating revenues decreased by \$41,238, or 7%, primarily due to a decrease in contract administration revenue.
- Expenses increased by \$341,175, or 19%. Most of the increase was due to the additional claims paid for the Brownfields Assessment grant in the amount of \$159,000. The Housing Authority program increased expenses by \$36,155. A full year of expenses for the Housing Authority was included in this increase as compared to the previous year which included only a partial year's expenses.
- The unallocated balance in the indirect cost pool was \$64,689 as of June 30, 2007. On June 20, 2006, Southeast Iowa Regional Planning Commission's Board approved a new cost allocation plan beginning July 1, 2006. A rate was determined based on the fiscal year 2007 budget (rather than actual costs), which was approved on May 16, 2006. It is anticipated that one half of the under-allocated balance will be allocated during fiscal year 2008. A cumulative amount of an under/over will be carried from year to year.
- Regional Transit Authority (RTA) revenue and support for the year was \$614,827, and expense was \$588,433. The revenues and expenses reflect an increase over fiscal year 2006. The increases are due to expanding public transit services in southeast Iowa and capital equipment purchases. The increased expenses are due to expanded services tied to new contracts for service and some expanded general public service; increased revenues include funds from new services and increases in state and federal subsidies. RTA also purchased three new buses with federal grants that paid for 83% of the total cost.
- Planning revenue and support for the year was \$365,970, and expense was \$382,298. The Des Moines County and City of Ft. Madison land use and planning direct service contracts were renewed for this year resulting in a small increase in the revenue and expenditures. The Transportation Planning Department funded an additional .5 full time equivalent staff position which also caused an increase.
- Housing revenue and support for the year was \$496,391, and expense was \$505,495. Revenues and expenses have decreased, as the balance of grant funds were expensed and housing rehabilitation projects were closed out. The initial phase of future housing projects is expected to be complete in fiscal year 2008. The construction phase for the new housing projects is anticipated to begin at midyear of 2008, which will cause revenues and expenses to follow similar trends with a decrease due to a partial year of construction expenses.
- Contract administration revenue and support for the year was \$540,807, and expense was \$537,985. Revenues increased by \$115,634 primarily due to the final draw of funds for the Brownfields Assessment Grant, as it was completed.
- Revolving Loan Fund (RLF) revenue and support was \$114,945 and expense was \$81,492. A portion of the positive margin for the Revolving Loan Funds is a result of an increase in net assets for the USDA Intermediary Relending Program I, as it will begin loan repayments on the principle balance.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, RTA bus fare revenue, planning contracts and other revenue, reduced by payments to employees and to suppliers. Cash provided from financing activities includes RLF program capital additions. Cash used by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2007, the Commission had \$84,685 invested in capital assets, net of accumulated depreciation of \$63,836. Depreciation charges totaled \$20,969 for fiscal year 2007. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2007, the Commission had \$1,050,202 in long-term debt outstanding, an increase of \$251,306 from 2006. The debt consists of loans payable to the US Department of Agriculture for funds drawn to be used in the Intermediary Relending Programs, a loan from the Iowa Finance Authority (IFA) to administer a Single Family Home Rehabilitation Revolving Loan Program and a loan from the Iowa Department of Transportation for the purchase of a busses for the Regional Transit Authority. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

Southeast Iowa Regional Planning Commission continued to improve its financial position during the year with a positive increase in net assets. Some of the realities that may potentially become challenges for the Commission to meet are:

- Per capita match has remained the same for the past two years and although it has minimal impact on the percentage of budget, the local funds received serve as the foundation of the technical assistance efforts. These programs include the Economic Development Administration and Regional Transportation Planning.
- The level of projects the Commission has conducted during the past year has increased dramatically in comparison to five years ago. With the number of requests received it is important that the Commission Board Members continue to evaluate the projects with the greatest return on investment for the region and Commission.
- Southeast Iowa Regional Planning Commission Housing programs have seen major growth during the past two years with upper story rehabilitation and owner occupied rehabilitation. With the recent award of the Self Help Housing Program through USDA, SEIRPC staff will be assisting the construction of 12 units in the region. This growth has provided the opportunity to create additional program knowledge and experience that can be realized region wide.
- Retaining key staff is essential for any organization and Southeast Iowa Regional Planning Commission is no different. The major difference is the depth of staffing levels the Commission can justify and afford. Ongoing efforts are made to invest in competitive salaries and benefits for existing employees and recruiting quality new employees. The Commission will continue to evaluate the staffing levels based on the amount of requested work. It will also continue to monitor which programs provide the highest return and focus staffing efforts toward those programs.
- The Commission must continue to invest in technology and niches that provide added value to its members. This includes mapping, transportation planning, traffic counting, GPS services, and others. Many members can not afford these services individually but collectively they can participate in the overall investment, which is the focus of the Commission. Information technology investments and accounting software will be evaluated by key staff to advance the organization.

FACTORS FOR THE FUTURE

Several key factors may impact Southeast Iowa Regional Planning Commission based on projected funding levels. Those impacts may result from:

- The Highway Trust Fund and Fuel User Fees - State and Federal agencies are recognizing a huge deficit in the amount of transportation funds and the amount of repairs. This could directly impact the Transportation Planning and Transportation Departments.
- Reauthorization of EDA will be discussed during the next two fiscal years and increasingly is scrutinized by congress.
- The reduction in general fund revenues for all our members continues to be a major concern for the Commission. The lack of funding hampers the ability of our members to compete for grant funds and infrastructure investments they need to complete for the benefit of their residents.
- Health care costs continue to rise for Southeast Iowa Regional Planning Commission and are a major investment for the Organization and its employees. Premiums have risen over 100% during the past seven years with annual increases imminent.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show its accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Southeast Iowa Regional Planning Commission, 200 Front Street, Suite 400, Burlington, Iowa 52601.

Southeast Iowa Regional Planning Commission
Statement of Net Assets
June 30, 2007

Assets	
Current assets:	
Cash	\$ 1,193,566
Cash - restricted	44,849
Accounts receivable	137,018
Prepaid expenses	9,716
Current portion of RLF notes receivable	<u>343,693</u>
Total current assets	1,728,842
Long term RLF notes receivable, net of current portion	1,582,601
Capital assets, net of accumulated depreciation	<u>84,685</u>
Total assets	<u>3,396,128</u>
Liabilities	
Current liabilities:	
Accounts payable	58,395
Accrued vacation and salary	62,933
Payroll withholdings	198
Notes payable, current portion	30,631
Deferred revenue	24,270
Custodial funds	<u>2,475</u>
Total current liabilities	178,902
Notes payable, net of current portion	<u>1,050,202</u>
Total liabilities	<u>1,229,104</u>
Net Assets	
Invested in capital assets, net of related debt	45,053
Restricted	1,753,684
Unrestricted	<u>368,287</u>
Total net assets	<u>\$ 2,167,024</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

	<u>Total</u>	<u>Indirect Cost Pool</u>	<u>Regional Transit</u>	<u>Planning</u>	<u>Housing</u>	<u>Contract Admin</u>	<u>Revolving Loan Funds</u>
Support and Revenue							
Support:							
Federal and state grants	\$ 1,367,960	\$ -	\$ 323,403	\$ 199,132	\$ 378,343	\$ 467,082	\$ -
Local contributions	<u>172,984</u>	<u>-</u>	<u>27,695</u>	<u>90,916</u>	<u>30,648</u>	<u>23,725</u>	<u>-</u>
Total support	<u>1,540,944</u>	<u>-</u>	<u>351,098</u>	<u>290,048</u>	<u>408,991</u>	<u>490,807</u>	<u>-</u>
Revenue:							
Administration fees	196,232	-	-	75,922	68,997	50,000	1,313
Inspections	15,680	-	-	-	15,680	-	-
Bus fare and local contracts	118,444	-	118,444	-	-	-	-
Medicaid reimbursement	145,285	-	145,285	-	-	-	-
Loan closing fees	11,078	-	-	-	-	-	11,078
Loan interest income	<u>105,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,723</u>	<u>-</u>	<u>102,554</u>
Total revenue	<u>591,996</u>	<u>-</u>	<u>263,729</u>	<u>75,922</u>	<u>87,400</u>	<u>50,000</u>	<u>114,945</u>
Total support and revenue	<u>2,132,940</u>	<u>-</u>	<u>614,827</u>	<u>365,970</u>	<u>496,391</u>	<u>540,807</u>	<u>114,945</u>
Expense							
Salaries	726,483	121,762	191,988	232,592	75,636	64,128	40,377
Payroll taxes	99,519	18,562	25,437	30,854	10,174	9,121	5,371
Employee benefits	58,755	14,687	13,104	18,530	7,005	2,187	3,242
Other employee expense	4,698	400	4,298	-	-	-	-
Marketing	6,870	225	1,567	-	-	4,369	709
Construction expense	355,695	-	-	-	355,695	-	-
Depreciation	20,969	-	17,510	1,667	-	1,792	-
Dues and publications	9,544	4,298	2,901	971	686	614	74
Insurance	60,963	13,383	47,580	-	-	-	-
Interest expense	16,308	-	-	-	7,057	1,246	8,005
Maintenance and repair	64,341	-	64,341	-	-	-	-
Fuel and oil	76,278	-	76,278	-	-	-	-
Meetings	8,505	2,437	242	461	-	5,353	12
Office expense	32,669	18,371	3,071	2,086	6,657	1,502	982
Printing and postage	7,204	6,236	40	298	92	428	110
Equipment	80,757	3,738	61,692	7,561	2,649	2,728	2,389
Professional fees	24,465	13,443	21	-	6,518	309	4,174
Contractual expenses	431,578	1,789	6,037	1,000	2,160	420,592	-
Rent	17,143	14,857	2,286	-	-	-	-
Telecommunications	13,814	8,886	4,776	71	26	24	31
Travel and training	43,834	8,315	6,769	14,173	7,844	3,851	2,882
Indirect costs	<u>-</u>	<u>(186,700)</u>	<u>58,495</u>	<u>72,034</u>	<u>23,296</u>	<u>19,741</u>	<u>13,134</u>
Total operating expense	<u>2,160,392</u>	<u>64,689</u>	<u>588,433</u>	<u>382,298</u>	<u>505,495</u>	<u>537,985</u>	<u>81,492</u>
Operating income (loss)	(27,452)	(64,689)	26,394	(16,328)	(9,104)	2,822	33,453
Non-Operating Revenue							
Interest income	<u>27,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,995</u>	<u>4,414</u>	<u>12,838</u>
Increase/(decrease) in net assets	(205)	(64,689)	26,394	(16,328)	891	7,236	46,291
Net assets, beginning of year, as adjusted	1,882,904	-	71,822	(97,444)	130,096	355,362	1,423,068
Capital grants and contributions	<u>284,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,325</u>
Net assets, end of year	<u>\$ 2,167,024</u>	<u>\$ (64,689)</u>	<u>\$ 98,216</u>	<u>\$ (113,772)</u>	<u>\$ 130,987</u>	<u>\$ 362,598</u>	<u>\$ 1,753,684</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Statement of Cash Flows
Year Ended June 30, 2007

Cash Flows From Operating Activities

Cash received from federal & state support	\$ 1,381,617
Cash received from local contributions and administration fees	451,117
Cash received from bus fares	263,729
Cash received from loan interest income and closing fees	116,355
Checking and money market interest received	27,247
Cash paid for goods and services	(1,235,072)
Cash paid for employees and benefits	<u>(884,705)</u>
Net cash provided by operating activities	<u>120,288</u>

Cash Flows From Non-Capital Financing Activities

Proceeds from long-term debt	262,746
Long-term debt principal payments	<u>(30,279)</u>
Net cash provided by non-capital financing activities	<u>232,467</u>

Cash Flows From Capital and Related Financing Activities

Capital contributions	284,325
Purchase of equipment	<u>(86,692)</u>
Net cash provided by capital and related financing activities	<u>197,633</u>

Cash Flows From Investing Activities

Loans made	(674,850)
Collections of loans	584,022
Custodial funds expended	<u>(40,106)</u>
Net cash (used) by investing activities	<u>(130,934)</u>

Net increase in cash 419,454

Cash, beginning of year 818,961

Cash, end of year (restricted and unrestricted) \$ 1,238,415

Supplemental disclosure:

Interest paid \$ 8,023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Decrease in net assets	\$ (205)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	20,969
(Increase)/decrease in assets:	
Accounts receivable	73,381
Prepaid expenses	1,325
Increase/(decrease) in liabilities:	
Deferred revenue	6,497
Accounts payable and accrued expenses	<u>18,321</u>
Net cash provided by operating activities	<u>\$ 120,288</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization

Southeast Iowa Regional Planning Commission (Commission) is a voluntary organization consisting of local governments (cities, counties and school districts) within the four-county southeast Iowa region. The Commission was formed in 1973 under Chapters 28E and 473A of the Code of Iowa for the general purpose of promoting intergovernmental cooperation and strengthening local governmental units. Specifically, the Commission has the power and duty to make comprehensive studies and plans for the development of the area it serves that will guide the unified development of the area and that will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people. Southeast Iowa Regional Planning Commission is exempt from income taxes under Section 501(c)(1) of the Internal Revenue Code.

The Commission provides services to the region through a variety of programs, including:

Planning

- Transportation Planning - The Transportation Planning Department works with all Commission members and the Iowa Department of Transportation, Federal Highway Administration, Federal Transit Administration and other federal and state agencies to effectively plan and implement projects in southeast Iowa. This department is primarily funded through federal transportation planning grants originating from federal transportation authorizing legislation, such as TEA-21 and SAFETEA. Transportation planning staff are active in programming federal dollars available to the Commission, developing projects utilizing state and federal dollars, preparing transportation planning documents, Geographic Information Systems mapping and analysis, travel demand modeling, grant applications to federal and state governments, and regional cooperation related to transportation issues and transit planning.
- Land Use and Planning - The Planning and Zoning Department provides a number of services relating to land use and development to various clients within the region. Specifically, actual on-site land use administration, technical assistance with zoning and subdivision issues, revision and development of comprehensive plans, urban renewal plan formulation, annexations, ordinance codification updates and capital improvement budgeting are all provided under individual contracts with cities and/or counties within the four-county area.

Revolving Loan Funds and Economic Development

A main focus of the Economic Development Department is the creation and retention of jobs. This is accomplished through a multitude of avenues involving revolving loan funds, state and federal grantsmanship, Small Business Administration loan preparation and regional cooperation.

Housing

The Commission administers many different types of housing programs and works extensively with the Iowa Department of Economic Development, Iowa Finance Authority, and other entities on numerous housing projects throughout Southeast Iowa. Programs administered include Owner Occupied Rehabilitation Programs, Rental Rehabilitation, Down-payment Assistance, New Construction, and Acquisition/Demolition.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization (continued)

Grant Administration

Southeast Iowa Regional Planning Commission administers grants received by clients from different funding sources. The staff works one-on-one with the agency officials and city or county officials to insure that all of the grantor agency requirements are met, and retains records related to the grant administration activities.

Regional Transit Authority

The Southeast Iowa Bus (SEIBUS) is a Regional Transit System that provides transportation for the general public in southeast Iowa, including residents of Louisa, Henry and Des Moines counties and the cities of Keokuk and Ft. Madison. The Authority also provides services to other organizations, such as Hope Haven, Area Agency on Aging, and Henry County, Des Moines County and Louisa County Central Point of Communication agencies.

Note 2. Summary of Significant Accounting Policies

The operations of the Commission are financed primarily by Federal and State grants, local contributions, contract administration fees, and RTA bus fares. The Commission is dependent on continued funding by federal, state and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Reporting Entity

The Commission's financial reporting entity comprises the following:

Primary Government:	Southeast Iowa Regional Planning Commission
Blended Component Units:	Southeast Iowa Development Corporation, Inc. Housing Programs Economic Recovery Strategy Program

The Commission's financial statements include the accounts of all Commission operations. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burden on the Commission.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

The Southeast Iowa Development Corporation, Inc. and the Housing and Economic Recovery Strategy Programs meet the criteria to be a blended component unit. Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Commission or the component unit provides services entirely to the Commission. The component unit's funds are blended into those of the Commission as part of the EDA Revolving Loan Fund.

The Southeast Iowa Development Corporation, Inc. is a not-for profit corporation established in 1995 to further the economic development of the region comprised of the Iowa counties of Des Moines, Lee and Louisa as well as the cities located therein by providing low interest loans from a revolving loan fund. The current Commission Board serves as the entire governing body. The Southeast Iowa Development Corporation, Inc. is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Housing and Economic Recovery Strategy Programs are programs that are managed by the Commission on behalf of other entities and are included as component units due to their financial integration with the Southeast Iowa Regional Planning Commission..

Basis of Presentation

The accounts of Southeast Iowa Regional Planning Commission are organized as an Enterprise Fund. Enterprise funds are used to account for operations (a) financed in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. At the end of the period, unearned funds that have been received are recorded as a liability to the grantor or member unless they can be carried over to the next fiscal year. The receipt of unearned funds that can be carried over to the next fiscal year are recorded as deferred revenue to be used for expenses or services in the future. Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned contract administration revenue is deferred to be used for future contract administration expenses.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The Commission considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Donated capital assets are valued at their estimated fair value on the date of donation.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 6 years.

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation payable. Amounts representing the cost of compensated absences expected to be liquidated are recorded as a liability computed on current rates of pay.

Cost Allocation - The Commission utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Direct costs are costs that can be identified specifically with a program and therefore are charged to that program. Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular project. Indirect costs are classified into an indirect cost pool. This cost pool has been allocated to the programs based on the proportion of direct labor expense using a percentage allocation rate. The rate is determined based on the approved fiscal year budget rather than actual costs.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Net Assets - Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 3. Cash

The Commission's cash deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission holds cash in separate accounts for each revolving loan fund as required under their contracts to administer those funds.

Note 4. Accounts Receivable

At June 30, 2007, the Commission has the following accounts receivable outstanding for grant revenues and fees earned.

Contract administration fees	\$ 71,235
RTA bus fares and contracts	25,729
Iowa Department of Transportation	<u>40,054</u>
	<u>\$ 137,018</u>

Note 5. Loans Receivable

The Southeast Iowa Development Corporation, Inc. entered into an agreement with Southeast Iowa Regional Planning Commission to serve as a subgrantee for a Revolving Loan Fund (RLF) grant the Planning Commission received from the Economic Development Administration (EDA). As of June 30, 2007, the EDA RLF loan receivable balance was \$800,108. The loan agreements specify fixed interest rates of 4 - 8%, with principal and interest payable monthly and contain covenants required by the Economic Development Administration for participation in the revolving loan fund program.

EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. During the revolving phase of the revolving loan fund program, the grant recipient is expected to manage its revolving loan fund so that at least 75 percent of the loan fund capital is in use. At June 30, 2007, the Commission met the EDA level of effort guidelines in the administration of the revolving loan fund.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 5. Loans Receivable (continued)

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer two Revolving Loan Funds under the Intermediary Relending Program (IRP). Under the Intermediary Relending Program, the Commission borrows funds from the USDA and lends the funds to qualified businesses. As of June 30, 2007, the IRP loan receivable balance was \$898,719. The loan agreements specify fixed interest rates of 4 - 7%, with principal and interest payable monthly and contain covenants required by the USDA for participation in the revolving loan fund program.

The USDA requires the Commission to reserve cash for bad debts. The reserve for bad debts of 6 percent of outstanding loans must be accumulated for 3 years and then maintained. The cash reserve is \$42,374 at June 30, 2007 and is included in restricted cash on the Statement of Net Assets.

The City of Fort Madison has contracted with Southeast Iowa Regional Planning Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2007, the Fort Madison RLF loan receivable balance was \$112,353. The loan agreements specify fixed interest rates of 4%, with principal and interest payable monthly.

Henry County has contracted with the Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2007, the Henry County RLF loan receivable balance was \$56,127. The loan agreements specify fixed interest rates of 4 - 7%, with principal and interest payable monthly.

The City of Mediapolis has contracted with the Commission to administer the Mediapolis Housing Trust Fund Grant Program. This program offers grants, forgivable loans and revolving loans to program participants. The Revolving Loan Fund (RLF) portion of the program includes loans for home rehabilitation which specify fixed interest rates of 4%. As of June 30, 2007, the Mediapolis RLF loan receivable balance was \$58,987.

The City of Keokuk has contracted with Southeast Iowa Regional Planning Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2007, the Keokuk RLF has funded no loans.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 6. Capital Assets

Capital assets consist of office furniture, equipment and vehicles with a cost basis of \$148,521 net of \$63,836 accumulated depreciation at June 30, 2007. Depreciation expense included in the financial statements for the year ended June 30, 2007 was \$20,969. A summary of capital assets at June 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Purchased at cost</u>	<u>Disposi- tions</u>	<u>Ending Balance</u>
Equipment, furniture and fixtures	\$ 43,463	\$ -	\$ -	\$ 43,463
Vehicles	<u>18,366</u>	<u>86,692</u>	<u>-</u>	<u>105,058</u>
	<u>\$ 61,829</u>	<u>\$ 86,692</u>	<u>\$ -</u>	<u>\$ 148,521</u>

	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Disposi- tions</u>	<u>Ending Balance</u>
Accumulated depreciation	\$ 42,867	\$ 20,969	\$ -	\$ 63,836

Note 7. Operating Leases

The Commission has entered into an operating lease to rent office space in Burlington, Iowa. The lease term began November 1, 2003 and ends June 30, 2009. Rent paid for the year ended June 30, 2007 was \$14,857.

The Commission has entered into an operating lease to rent Regional Transit Authority vehicle storage space in Burlington, Iowa on a month to month basis. Rent paid for the year ended June 30, 2007 was \$2,286.

Future minimum lease payments due on the above operating leases are as follows:

Year ended June 30, 2008	\$ 14,700
Year ended June 30, 2009	<u>14,700</u>
	<u>\$ 29,400</u>

Note 8. Notes Payable

The Commission received two capital match revolving loans from the Iowa Department of Transportation totaling \$39,632. The loans are interest-free and are part of an agreement requiring the purchase of new vehicles for the Regional Transit Authority. The loan agreements call for the payment of principal in annual installments beginning December 31, 2007.

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer a Revolving Loan Fund under the Intermediary Relending Program (IRP). The loan agreement dated July 9, 2003 calls for the USDA to loan \$600,000 to the Commission bearing interest at 1% per year. The loan proceeds can be drawn as qualified borrowers are identified. The loan agreement calls for the payment of interest only for the first 3 years and then principal and interest payable in 27 equal annual installments beginning on July 9, 2007. At June 30, 2007 the balance due to USDA was \$599,721.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 8. Notes Payable (continued)

Southeast Iowa Regional Planning Commission entered into a second agreement with the United States Department of Agriculture (USDA) to administer an additional Revolving Loan Fund under the Intermediary Relending Program (IRP). The loan agreement dated August 1, 2006 calls for the USDA to loan \$600,000 to the Commission bearing interest at 1% per year. The loan proceeds can be drawn as qualified borrowers are identified. The loan agreement calls for the payment of interest only for the first 3 years and then principal and interest payable in 27 equal annual installments beginning on August 1, 2007. At June 30, 2007 the balance due to USDA was \$241,480, the balance drawn to date.

Southeast Iowa Regional Planning Commission entered into an agreement with the Iowa Finance Authority (IFA) to administer a Single Family Home Rehabilitation Revolving Loan Program. The loan agreement dated March 1, 2006 calls for the IFA to loan \$200,000 to the Commission bearing interest at 3% per year. The loan agreement calls for the payment of interest only for the first 2 years and then principal and interest payable in 10 equal annual installments beginning on April 1, 2009. At June 30, 2007 the balance due to IFA was \$200,000.

A summary of changes in notes payable for the year ended June 30, 2007 follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
Revolving Line of Credit	\$ 30,000	\$ -	\$ 30,000	\$ -
IDOT capital match loan	18,366	21,266	-	39,632
IFA Revolving loan	-	200,000	-	200,000
USDA Revolving loan I	600,000	-	279	599,721
USDA Revolving loan II	<u>-</u>	<u>241,480</u>	<u>-</u>	<u>241,480</u>
	<u>\$ 648,366</u>	<u>\$ 462,746</u>	<u>\$ 30,279</u>	1,080,833
Less current portion				<u>(30,631)</u>
				<u>\$ 1,050,202</u>

Maturities of notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2008	\$ 30,631	\$ 14,285
Year ended June 30, 2009	53,594	17,805
Year ended June 30, 2010	54,466	16,934
Year ended June 30, 2011	68,708	16,040
Year ended June 30, 2012	64,502	14,929
Thereafter	<u>808,932</u>	<u>152,149</u>
	<u>\$ 1,080,833</u>	<u>\$ 232,142</u>

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 9. Pension and Retirement Benefits

The Planning Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by Iowa statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by Iowa statute. The Commission's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$41,775, \$38,392, and \$29,294, respectively, equal to the required contributions for each year.

Note 10. Economic Dependency

The Planning Commission is dependent upon federal and state funding, and administration fees earned from the four-county southeast Iowa region.

Note 11. Concentrations of Credit Risk

Financial instruments that potentially subject the Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation to concentrations of credit risk consist principally of loans receivable. Concentrations of credit risk with respect to loans receivable exist due to the limited geographic region of the companies assisted and the inherent higher risk associated with loans to new and expanding businesses.

Note 12. Restricted Net Assets

The Commission has net assets that are restricted at June 30, 2007 for revolving loan fund programs and for capital asset purchases. A detail of those restrictions follows:

EDA Revolving Loan Fund net asset balance	\$ 899,901
USDA/IRP Revolving Loan Fund net asset balance	225,162
USDA/IRP II Revolving Loan Fund net asset balance	139,648
Fort Madison Revolving Loan Fund net asset balance	303,973
Henry County Revolving Loan Fund net asset balance	<u>185,000</u>
	<u>\$ 1,753,684</u>

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 13. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 14. Prior Period Adjustments

During the period ending June 30, 2007, Commission management made the determination that the Housing and Economic Recovery Strategy programs should be treated as component units. As a result, the Commission's custodial fund balances at June 30, 2006 have been reduced by \$20,843, which has been reclassified to increase net assets, beginning of year, for the component units.

Southeast Iowa Regional Planning Commission
Supplementary Information
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Planning
Year Ended June 30, 2007

	<u>Total</u>	<u>EDA</u>	<u>Iowa DOT</u>	<u>Des Moines County Planning</u>	<u>Ft. Madison Planning</u>
Support and Revenue					
Support:					
Federal and state grants	\$ 199,132	\$ 38,130	\$ 161,002	\$ -	\$ -
Local contributions	<u>90,916</u>	<u>50,356</u>	<u>40,560</u>	<u>-</u>	<u>-</u>
Total support	290,048	88,486	201,562	-	-
Revenue:					
Administration fees	<u>75,922</u>	<u>-</u>	<u>-</u>	<u>41,922</u>	<u>34,000</u>
Total support and revenue	<u>365,970</u>	<u>88,486</u>	<u>201,562</u>	<u>41,922</u>	<u>34,000</u>
Expense					
Salaries	232,592	55,073	122,302	29,057	26,160
Payroll taxes	30,854	7,271	16,228	3,977	3,378
Employee benefits	18,530	5,318	8,175	2,402	2,635
Depreciation	1,667	-	1,667	-	-
Dues and publications	971	35	745	191	-
Meetings	461	275	186	-	-
Office expense	2,086	-	1,929	157	-
Printing and postage	298	52	242	4	-
Equipment	7,561	-	7,561	-	-
Contractual expenses	1,000	-	1,000	-	-
Telecommunications	71	-	71	-	-
Travel and training	14,173	1,803	7,454	1,247	3,669
Indirect costs	<u>72,034</u>	<u>17,718</u>	<u>37,359</u>	<u>9,124</u>	<u>7,833</u>
Total operating expense	<u>382,298</u>	<u>87,545</u>	<u>204,919</u>	<u>46,159</u>	<u>43,675</u>
Operating income (loss)	<u>(16,328)</u>	<u>941</u>	<u>(3,357)</u>	<u>(4,237)</u>	<u>(9,675)</u>
Non-Operating Revenue					
Increase/(decrease) in net assets	(16,328)	941	(3,357)	(4,237)	(9,675)
Net assets, beginning of year	<u>(97,444)</u>	<u>(85,235)</u>	<u>(10,303)</u>	<u>14,408</u>	<u>(16,314)</u>
Net assets, end of year	<u><u>\$ (113,772)</u></u>	<u><u>\$ (84,294)</u></u>	<u><u>\$ (13,660)</u></u>	<u><u>\$ 10,171</u></u>	<u><u>\$ (25,989)</u></u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Housing
Year Ended June 30, 2007

	<u>Total</u>	<u>Housing Admin</u>	<u>Housing Authority</u>
Support and Revenue			
Support:			
Federal and state grants	\$ 378,343	\$ 378,343	\$ -
Local contribution	<u>30,648</u>	<u>30,648</u>	<u>-</u>
Total support	<u>408,991</u>	<u>408,991</u>	<u>-</u>
Revenue:			
Administration fees	68,997	-	68,997
Loan interest income	2,723	2,723	-
Inspections	<u>15,680</u>	<u>15,680</u>	<u>-</u>
Total revenue	<u>87,400</u>	<u>18,403</u>	<u>68,997</u>
Total support and revenue	<u>496,391</u>	<u>427,394</u>	<u>68,997</u>
Expense			
Salaries	75,636	39,513	36,123
Payroll taxes	10,174	5,401	4,773
Employee benefits	7,005	1,043	5,962
Construction expense	355,695	355,695	-
Dues and publications	686	517	169
Interest expense	7,057	7,057	-
Office expense	6,657	5,534	1,123
Printing and postage	92	92	-
Equipment	2,649	998	1,651
Professional fees	6,518	2,318	4,200
Contractual expenses	2,160	2,160	-
Telecommunications	26	26	-
Travel and training	7,844	4,730	3,114
Indirect costs	<u>23,296</u>	<u>11,288</u>	<u>12,008</u>
Total operating expense	<u>505,495</u>	<u>436,372</u>	<u>69,123</u>
Operating loss	(9,104)	(8,978)	(126)
Non-Operating Revenue			
Interest income	<u>9,995</u>	<u>9,995</u>	<u>-</u>
Increase/(decrease) in net assets	891	1,017	(126)
Net assets, beginning of year, as adjusted	<u>130,096</u>	<u>132,115</u>	<u>(2,019)</u>
Net assets, end of year	<u>\$ 130,987</u>	<u>\$ 133,132</u>	<u>\$ (2,145)</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Contract Administration
Year Ended June 30, 2007

	<u>Total</u>	<u>Grant Admin</u>	<u>Brownfields</u>	<u>Homeland Security</u>	<u>Mediapolis Dev. Center</u>	<u>Other</u>	<u>Economic Recovery</u>
Support and Revenue							
Support:							
Federal and State grants	\$ 467,082	\$ -	\$ 257,606	\$ 41,968	\$ -	\$ 9,375	\$ 158,133
Local contributions	<u>23,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,359</u>	<u>8,366</u>
Total support	<u>490,807</u>	<u>-</u>	<u>257,606</u>	<u>41,968</u>	<u>-</u>	<u>24,734</u>	<u>166,499</u>
Revenue:							
Administration fees	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>540,807</u>	<u>50,000</u>	<u>257,606</u>	<u>41,968</u>	<u>-</u>	<u>24,734</u>	<u>166,499</u>
Expense							
Salaries	64,128	39,684	9,229	5,385	-	9,830	-
Payroll taxes	9,121	5,318	1,232	899	-	1,672	-
Employee benefits	2,187	578	145	480	-	984	-
Marketing	4,369	-	-	-	-	-	4,369
Depreciation	1,792	-	-	-	-	1,792	-
Dues and publications	614	86	-	-	-	528	-
Interest expense	1,246	-	-	-	-	-	1,246
Meetings	5,353	-	135	-	-	2,606	2,612
Office expense	1,502	-	-	310	-	1,192	-
Printing and postage	428	-	53	64	-	272	39
Equipment	2,728	-	1,367	1,361	-	-	-
Professional fees	309	-	193	-	-	116	-
Contractual expenses	420,592	-	240,427	25,000	-	-	155,165
Telecommunications	24	-	24	-	-	-	-
Travel and training	3,851	915	1,176	129	-	1,631	-
Indirect costs	<u>19,741</u>	<u>11,701</u>	<u>2,949</u>	<u>1,780</u>	<u>-</u>	<u>3,311</u>	<u>-</u>
Total operating expense	<u>537,985</u>	<u>58,282</u>	<u>256,930</u>	<u>35,408</u>	<u>-</u>	<u>23,934</u>	<u>163,431</u>
Operating income (loss)	2,822	(8,282)	676	6,560	-	800	3,068
Non-Operating Revenue							
Interest income	<u>4,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,414</u>	<u>-</u>
Increase/(decrease) in net assets	7,236	(8,282)	676	6,560	-	5,214	3,068
Net assets, beginning of year, as adjusted	<u>355,362</u>	<u>275,034</u>	<u>(14,477)</u>	<u>(2,323)</u>	<u>19,043</u>	<u>62,395</u>	<u>15,690</u>
Net assets, end of year	<u>\$ 362,598</u>	<u>\$ 266,752</u>	<u>\$ (13,801)</u>	<u>\$ 4,237</u>	<u>\$ 19,043</u>	<u>\$ 67,609</u>	<u>\$ 18,758</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Revolving Loan Funds
Year Ended June 30, 2007

	<u>Total</u>	<u>EDA</u>	<u>USDA/IRP I</u>	<u>USDA/IRP II</u>	Ft. Madison/ Henry County/ Keokuk
Revenue					
Administration fees	\$ 1,313	\$ -	\$ -	\$ -	\$ 1,313
Loan closing fees	11,078	4,335	1,710	4,533	500
Loan interest income	<u>102,554</u>	<u>40,972</u>	<u>39,329</u>	<u>13,349</u>	<u>8,904</u>
Total revenue	<u>114,945</u>	<u>45,307</u>	<u>41,039</u>	<u>17,882</u>	<u>10,717</u>
Expense					
Salaries	40,377	23,622	10,193	6,562	-
Payroll taxes	5,371	3,141	1,357	873	-
Employee benefits	3,242	1,957	782	503	-
Marketing	709	159	50	-	500
Dues and publications	74	71	-	-	3
Interest expense	8,005	-	5,997	2,008	-
Meetings	12	12	-	-	-
Office expense	982	203	31	302	446
Printing and postage	110	59	51	-	-
Equipment	2,389	1,290	1,099	-	-
Professional fees	4,174	-	213	-	3,961
Telecommunications	31	31	-	-	-
Travel and training	2,882	2,073	204	168	437
Indirect costs	<u>13,134</u>	<u>7,658</u>	<u>3,333</u>	<u>2,143</u>	<u>-</u>
Total operating expense	<u>81,492</u>	<u>40,276</u>	<u>23,310</u>	<u>12,559</u>	<u>5,347</u>
Operating income	33,453	5,031	17,729	5,323	5,370
Non-Operating Revenue					
Interest income	<u>12,838</u>	<u>1,469</u>	<u>6,768</u>	<u>-</u>	<u>4,601</u>
Increase in net assets	46,291	6,500	24,497	5,323	9,971
Net assets, beginning of year	1,423,068	893,401	200,665	-	329,002
Capital contributions	<u>284,325</u>	<u>-</u>	<u>-</u>	<u>134,325</u>	<u>150,000</u>
Net assets, end of year	<u>\$ 1,753,684</u>	<u>\$ 899,901</u>	<u>\$ 225,162</u>	<u>\$ 139,648</u>	<u>\$ 488,973</u>

Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Agriculture</u>			
Direct programs:			
Rural Business-Cooperative Service Intermediary Relending Program	10.767	Loan #61-01	\$ 702,676
Rural Business-Cooperative Service Intermediary Relending Program	10.767	Loan #61-02	261,325
Pass-through programs:			
Henry County - USDA Rural Development	10.769	RD 1940-1	<u>84,757</u>
Total U.S. Department of Agriculture			<u>1,048,758</u>
<u>U.S. Department of Commerce</u>			
Direct programs:			
Special Economic Development and Assistance Programs - Long-Term Economic Development Revolving Loan Fund	11.307	5-39-2629	723,898
Economic Adjustment Assistance Grants	11.307	05-69-04208	34,617
Support for Planning Organizations	11.302	05-83-04270	<u>38,130</u>
Total U.S. Department of Commerce			<u>796,645</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs - Iowa Department of Economic Development:			
Downtown Partners/Community Dev Block Grant	14.228	05-HM-499-22	93,335
City of Fort Madison/Community Dev Block Grant	14.228	05-HM-198-22	36,247
City of Fairfield/Community Dev Block Grant	14.228	02-HSG-065	850
City of Wayland/Community Dev Block Grant	14.228	05-HSG-048	108,166
City of New London/Comm Dev Block Grant	14.228	06-CF-022	179,341
City of Winfield/Community Dev Block Grant	14.228	04-HSG-057	131,008
Community Development Block Grant	14.228	06-ED-007	155,000
HUD	14.239	IA05-SPG503	20,000
Lee County/Community Dev Block Grant	14.228	04-WS-052	5,000
Des Moines County/Comm Dev Block Grant	14.228	05-CF-010	<u>389,936</u>
Total U.S. Department of Housing and Urban Development			<u>1,118,883</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs - Iowa Department of Transportation:			
Transportation Planning Work Program	20.515	07RPA-16	161,002
Fellowship Training	20.509	-	1,815
Non-Urban Operating Assistance Project	20.509	8523	83,703
Capital Improvement Assistance	20.505	8500	<u>60,233</u>
Total U.S. Department of Transportation			<u>306,753</u>
<u>U.S. Department of the Treasury</u>			
Pass-through programs - Iowa Department of Economic Development:			
Temporary State Fiscal Relief	21.000	05-RMG-04	<u>123,516</u>

Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Environmental Protection Agency</u>			
Direct programs:			
Brownfields Assessment	66.818	BF-98747801-0	\$ 256,929
Pass-through programs:			
City of New London - Sanitary and Storm Sewer Improvements	66.458	CS192276 01	<u>179,340</u>
Total U.S. Environmental Protection Agency			<u>436,269</u>
<u>U.S. Department of Homeland Security</u>			
Pass-through programs - Iowa Department of Public Defense			
Lee County - Pre-disaster Mitigation	97.017	PDMC-2005-56-00	34,687
Louisa County - Pre-disaster Mitigation	97.017	PDMC-2005-58-00	<u>15,609</u>
Total Federal Emergency Management Agency			<u>50,296</u>
Total expenditures of federal awards			<u>\$ 3,881,120</u>

The value of U.S. Department of Commerce - Long-Term Economic Development Revolving Loan Fund loans outstanding at June 30, 2007 is \$800,108.

The value of U.S. Department of Agriculture - Revolving Loan Fund under the Intermediary Relending Program loans outstanding at June 30, 2007 is \$898,719.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Planning Commission and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

We have audited the financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated February 13, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Iowa Regional Planning Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Iowa Regional Planning Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Iowa Regional Planning Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of Southeast Iowa Regional Planning Commission's financial statements that is more than inconsequential will not be prevented or detected by Southeast Iowa Regional Planning Commission's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southeast Iowa Regional Planning Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described in item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Iowa Regional Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Iowa Regional Planning Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Southeast Iowa Regional Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of Southeast Iowa Regional Planning Commission and other parties to whom Southeast Iowa Regional Planning Commission may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Iowa Regional Planning Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

February 13, 2008



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**Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

Compliance

We have audited the compliance of Southeast Iowa Regional Planning Commission, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. Southeast Iowa Regional Planning Commission's major federal programs are identified in Part III of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Southeast Iowa Regional Planning Commission's management. Our responsibility is to express an opinion on Southeast Iowa Regional Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeast Iowa Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Iowa Regional Planning Commission's compliance with those requirements.

In our opinion, Southeast Iowa Regional Planning Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Southeast Iowa Regional Planning Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Iowa Regional Planning Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A control deficiency in the Commission's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of Southeast Iowa Regional Planning Commission and other parties to whom Southeast Iowa Regional Planning Commission may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

February 13, 2008

**Southeast Iowa Regional Planning Commission
Schedule of Findings
Year Ended June 30, 2007**

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were as follows:

CFDA Number 14.228 - U.S. Department of Housing and Urban Development - Community Development Block Grant

CFDA Number 10.767 - U.S. Department of Agriculture - Rural Business-Cooperative Service Intermediary Relending Program

CFDA Number 10.769 - U.S. Department of Agriculture - Rural Business Enterprise Grants

CFDA Number 11.307 - U.S. Department of Commerce - Special Economic Development and Assistance Programs - Long-term Economic Development Revolving Loan Fund

- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Southeast Iowa Regional Planning Commission qualified as a low-risk auditee.

**Southeast Iowa Regional Planning Commission
Schedule of Findings
Year Ended June 30, 2007**

Part II: Findings Related to the Financial Statements

Significant Deficiency:

II-A-07 Preparation of Financial Statements and Supplementary Information - Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, changes in financial position, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). As part of the audit engagement, management has requested us to prepare a draft of the Commission's financial statements, including the related notes to the financial statements. The outsourcing of these services is not unusual in organizations of this size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, significant closing and audit adjustments were recorded during the course of the 2007 audit to adjust the accounts receivable and deferred revenue balances on contract administration projects.

Recommendation - We recommend that the Commission upgrade their accounting software to a package that will allow the accounting department to more easily track the progress of all contract administration projects and the related billings. In addition, timely and accurate financial reporting requires improved communication between financial personnel and personnel charged with project management. We recommend that the Commission develop a system to communicate the status of completion for all contracts in order to facilitate the timely and accurate recording of revenue related to contract administration.

Response -

Management will evaluate accounting software that will allow the accounting department to remain current on contract billing. The Commission has implemented a system to improve communication between financial personnel and project management, which includes a contract invoice request form that indicates the percentage of the project completion and the amount to bill.

Conclusion -

Response accepted.

Instances of Non-Compliance:

No matters were reported.

**Southeast Iowa Regional Planning Commission
Schedule of Findings
Year Ended June 30, 2007**

Part III: Findings and Questioned Costs for Federal Awards

None.

Part IV: Other Findings Related to Statutory Reporting

- IV-A-07 Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-B-07 Travel Expense - No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- IV-C-07 Business Transactions - No business transactions between the Commission and Commission officials or employees were noted.
- IV-D-07 Bond Coverage - Surety bond coverage of Commission officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-07 Board Minutes - No transactions requiring Board approval were noted which had not be approved.
- IV-F-07 Deposits and Investments - The Commission had no investments not authorized under the Code of Iowa or its written investment policy.